

EDISON BROTHERS STORES INC.

1975

Annual
Report



EDISON BROTHERS STORES INC.

The Board of Directors

JULIAN I. EDISON
Chairman of the Board

BERNARD A. EDISON
President

IRVING EDISON

ERIC P. NEWMAN
Executive Vice President
and Secretary

SIMON EDISON

SAMUEL L. DEMOFF
Executive Vice President

NORMAN ROSENTHAL
Executive Vice President

HENRY KOHN
Frankenthaler, Kohn & Schneider
General Counsel

Advisory Members

JOSEPH M. ARENSON
KEITH KEPLEY

ROY W. OSCARSON
WILLIAM E. POLLEY

The Five Company Divisions

EDISON BROTHERS SHOE STORES

836 Stores and Departments
Shoe stores: Chandlers, Bakers, Leeds, Burts, The Wild Pair;
Leased shoe departments; Joan Bari Boutiques

THE HANDYMAN

48 Do-it-yourself hardware
and building materials stores

SIZE 5-7-9 SHOPS

100 Stores featuring young, feminine
clothing for sizes one through nine

JEANS WEST

128 Stores offering jeans, tops,
outerwear for young people

UNITED SPORTING GOODS

33 Stores offering complete selection
of fine sports equipment and apparel

Edison Brothers Stores Inc. □ Founded in 1922 by
Samuel B. Edison □ Harry Edison □ Mark A. Edison □ Irving Edison □ Simon Edison

THE YEAR IN BRIEF

	1975	1974
Net sales	\$489,594,000	\$420,508,000
Net income	23,957,000	16,794,000
Total cash dividends	6,019,000	5,353,000
	Per Share	Per Share
Net income	\$ 5.94	\$ 4.10
Common stock dividends	1.48	1.29
Total taxes	8.63	6.15
Common stock equity	29.60	25.18
Working capital	\$ 72,175,000	\$ 64,945,000
Long-term debt	20,687,000	22,413,000
Common stock equity	118,305,000	101,796,000
Number of preferred shares outstanding	19,000	19,000
Number of common shares outstanding	3,997,000	4,043,000
Number of stockholders	4,400	4,600
Units at end of year	1,145	1,079

ANNUAL MEETING

of stockholders will be held in the offices of the Company at 400 Washington Avenue, St. Louis, Missouri, at 11 a.m. on Monday, April 26, 1976. A notice of the meeting with a proxy statement for holders of common stock is mailed under separate cover.



JULIAN I. EDISON

BERNARD A. EDISON

TO OUR STOCKHOLDERS:

The people of Edison Brothers Stores, Inc. achieved exceptional results in 1975. Both the shoe and non-shoe portions of the company again set new records in sales and earnings. Total profits were up 42.7% over 1974, setting a new record for the fourth consecutive year.

Because of these outstanding earnings, the Board of Directors was able to increase the quarterly dividend rate from 37¢ per share to 43¢, effective with the March 12, 1976 payment. This is the eleventh increase in the dividend rate in the past eleven years.

The most important factor in the profit improvement was the sales increase of 16.4% over 1974. Over half of this sales increase came from comparable stores, those open throughout both years. Sales increases in comparable stores contribute more immediately and more substantially to profit gains than do sales added through the opening of new stores.

Another major contributor to the profits was our continuing emphasis on inventory control, quantitatively as well as qualitatively. Every one of our operating chains achieved sales increases in 1975

with a lower ratio of inventory to sales. Total inventories at year-end were only 2.3% higher than at the end of 1974. As one result, markdowns were lower than in the preceding year.

Programs to control expenses were maintained during the year, and those dealing with economies in the use of energy were particularly productive.

The extra week in the 1975 fiscal year also accounted for an estimated 3% of the year's profit total.

Although the United Sporting Goods chain incurred a loss for the year, all other divisions not only increased their profits in 1975, but increased their percent of profit to sales. Steps are being taken to improve the operation of United Sporting Goods.

The control of inventory combined with good profits greatly improved our cash position. At year-end, we had about \$31 million in cash items, compared with \$18 million at the beginning of the year. This \$13 million increase came after paying for about \$17 million of fixed assets during the year. Approximately \$3 million of the expenditure for fixed assets was for the purchase of a high-capacity computer and new electronic cash registers. The balance was mainly for new stores and updating of existing facilities. In addition, during the year we purchased 47,012 shares of our common stock for general corporate purposes.

During 1975 we opened 116 new stores and closed 50, ending the year with 1,145 total units in operation. We expect to open over 100 new stores again in 1976, and to close somewhat fewer than in 1975. Cash on hand is ample to pay for this expansion and most of a similar program in 1977. The 1976 openings will include two types of experimental apparel stores. One, named "Oak Tree", will be a men's store operated by our Jeans West division. The other, as yet unnamed, will sell women's apparel and be operated by our corporate development department.

During 1975, the shoe division, through the leased department group, began a limited program of selling shoes directly to a few carefully selected department stores. This program has met with a favorable response and will continue on a somewhat increased basis this year.

Several officers retired during 1975. William E. Polley, vice president and director, retired after a 44-year career in the store operations department of the shoe division. Bernard L. Lebowitz, a vice president and senior buyer of sport shoes and boots, retired after 38 years of service. Bernard Bloom, vice president, who headed our architecture and construction department, retired after a 23-year career. Gilbert Fiser, vice president and regional manager in the St. Louis area, retired after 40 years of service. Al Gulinson,

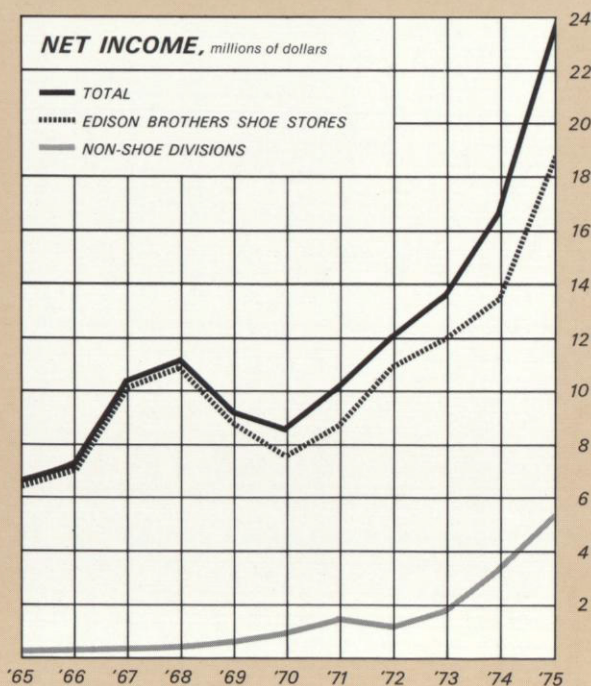
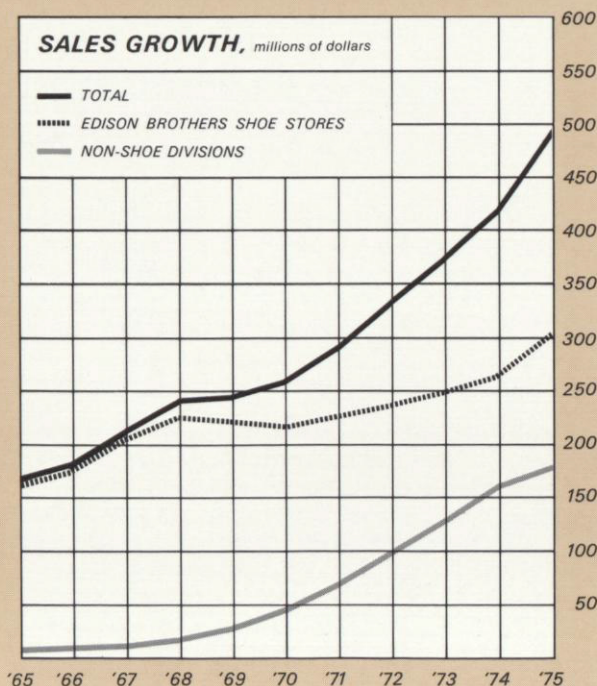
vice president and regional manager in the Minneapolis area, retired after 48 years of service. These officers made outstanding contributions to the growth of the company. Although we shall miss their personal participation, among the contributions they made to the company was an excellent job of training others to carry on with their respective responsibilities.

Moreover, during 1975 the organizations of our various divisions were significantly strengthened by the addition and promotion of a particularly outstanding group of executives. We feel that these organizations have never been stronger. Our high confidence in the caliber and character of the people who make up the Edison Brothers organization is what enables us to make plans for continuing significant growth in the years ahead.

Julian J. Edison
Chairman of the Board

Bernard A. Edison
President

St. Louis, Missouri, February 26, 1976



THE YEAR IN REVIEW

SALES

Consolidated net sales for the 53 week fiscal year ended January 3, 1976 were \$489,594,000, an increase of 16.4% over sales of \$420,508,000 for the 52 week fiscal year ended December 28, 1974. Shoe division sales amounted to \$303,213,000 in 1975 compared to \$264,575,000 in 1974. Non-shoe divisions sales of \$186,381,000 in 1975 compared to \$155,933,000 in 1974.

PROFITS

Consolidated net income for 1975 was \$23,957,000, an increase of 42.7% over net income of \$16,794,000 in 1974. The per share earnings on the average number of common shares outstanding was \$5.94 in 1975 and \$4.10 in 1974. The shoe division accounted for \$18,645,000 of earnings in 1975 and \$13,372,000 in 1974. Non-shoe divisions contributed \$5,312,000 to 1975 earnings compared to \$3,422,000 in 1974.

DIVIDENDS

Cash dividends paid on the company's common and preferred stock amounted to \$6,019,000 in 1975 and \$5,353,000 in 1974. Common stock dividends per share were \$1.48 in 1975 and \$1.29 in 1974. This was the 42nd consecutive year in which the company paid dividends on its common stock. After the close of the year, the Board of Directors increased the quarterly dividend 6¢ to 43¢ per share which is equivalent to an annual rate of \$1.72 per share.

WORKING CAPITAL

At the close of the 1975 fiscal year, working capital totaled \$72,175,000 compared with \$64,945,000 at the close of 1974. This is an increase of \$7,230,000 or 11.1%. The current ratio at the end of 1975 was 2.6 to 1.

Expenditures for fixed assets were \$17,250,000 in 1975 compared to \$13,833,000 in 1974. Depreciation and amortization of fixed assets totaled \$7,441,000 in 1975 compared to \$6,336,000 in 1974.

During 1975, 47,012 shares of the company's common stock were purchased for a total of \$1,466,000.

Cash, certificates of deposit and short-term investments totaled \$31,214,000 as of January 3, 1976, a \$12,892,000 increase from the \$18,322,000 balance at the beginning of 1975.

At the close of 1975, merchandise inventories were valued at \$82,160,000. This is a \$1,860,000 or 2.3% increase when compared to \$80,300,000 at the beginning of the year.

PERSONNEL CHANGES

Eighteen executives have been appointed to new officer positions. Edison Brothers Stores, Inc.: Louis G. Melchior was elected vice president, finance, and Ronald S. Hirshberg was elected vice president, corporate development.

Edison Brothers Shoe Stores: Elevated from assistant vice president to vice president were Sam Alton, merchandise control; John Codespoti, eastern divisional sales manager; Leonard Hubbard, leased department administration; Henry Pasch, buyer sports shoes and boots; and James Stewart, buyer Chandlers dress shoes. New assistant vice presidents are Bill Adams, regional manager, Chicago; Bernard W. Colton, architecture and construction; Paul Fichiera, buyer The Wild Pair shoes; Ray Johnson, regional manager, Houston; and Murray Krinsky, regional manager, New York City.

The Handyman: Elected vice president were Jared M. Nicholson, sales, and Harvey W. Rosen, merchandising.

Size 5-7-9 Shops: Frank Scalia was elected vice president, general sales manager. J. Brower Davis was named assistant vice president.

Jeans West: Willard Fonarow was elected vice president, general merchandise manager.

United Sporting Goods: Raby Ficklin was elected vice president, general sales manager.

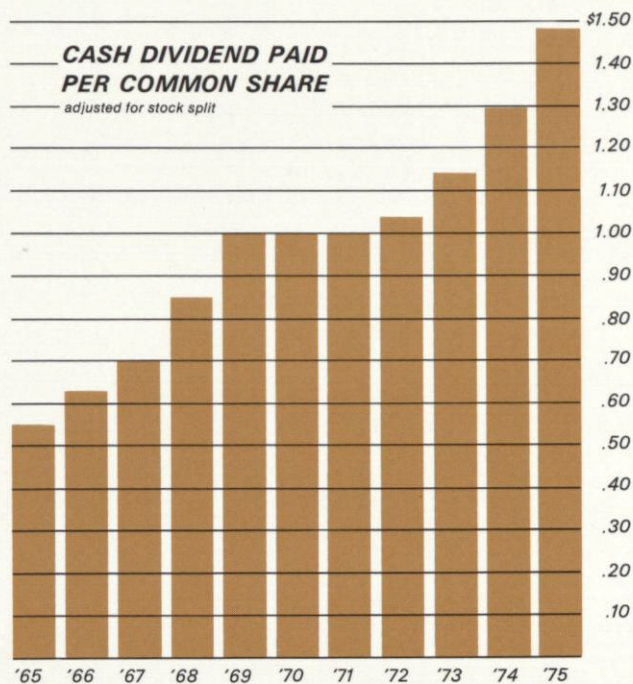
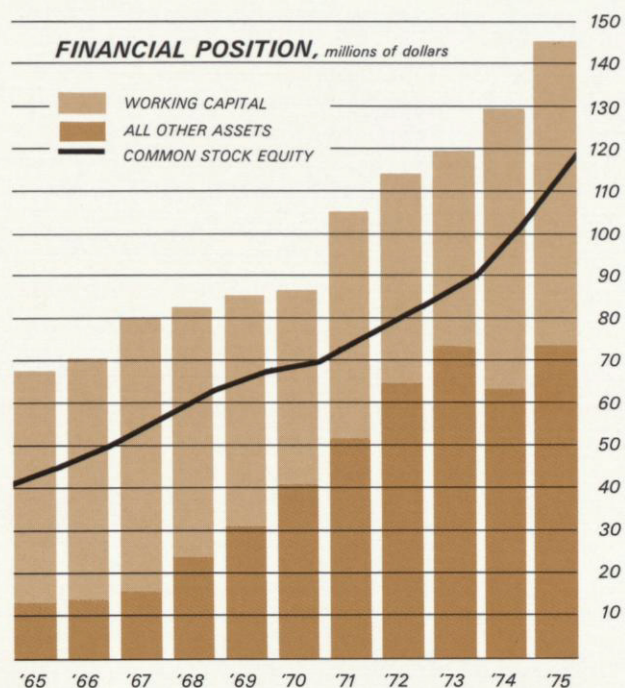
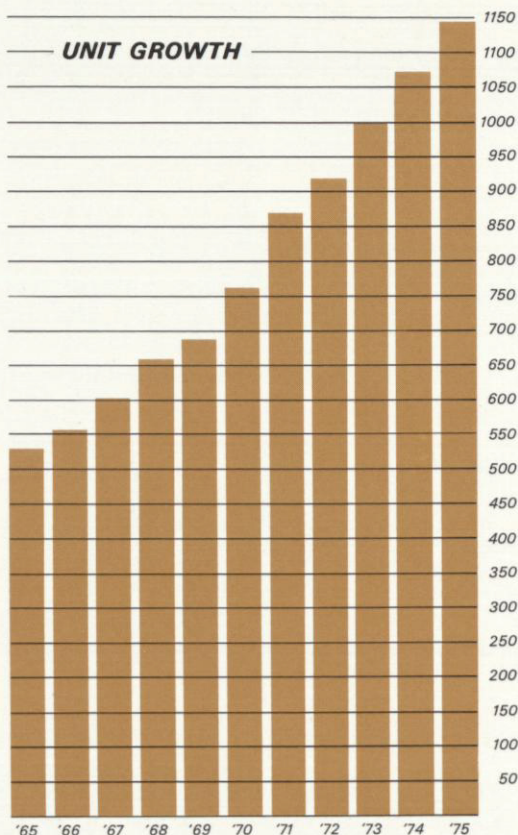
EMPLOYEE BENEFITS

Edison Brothers Stores, Inc. and its subsidiaries now have approximately

14,400 regular and part-time employees on a seasonal average basis. Salaries and wages totaled \$84,976,000 in 1975 as compared to \$75,859,000 in 1974. Payroll taxes paid by the company in 1975 and 1974 totaled \$5,862,000 and \$5,252,000, respectively.

The company's contribution to the employees health plan trust, which includes hospital, medical and life insurance coverage, was \$1,649,000 in 1975. In addition, \$2,005,000 was contributed to the pension trust in 1975. This combined contribution of \$3,654,000 was \$494,000 greater than the 1974 combined contribution. The pension trust is entirely paid for by the company and is administered by Bankers Trust of New York. On January 3, 1976, the market value of the assets of the pension trust amounted to \$16,500,000.

In 1975 the company recognized expense of \$1,282,000 for shares of the company's common stock issuable to executives, including store managers, under the 1975 Stock Bonus Plan.



CONSOLIDATED BALANCE SHEETS

ASSETS

	January 3, 1976	December 28, 1974
Current Assets:		
Cash	\$ 13,950,000	\$ 14,124,000
Certificates of deposit and short-term investments	17,264,000	4,198,000
Merchandise inventories	82,160,000	80,300,000
Other current assets	3,530,000	4,419,000
Total Current Assets	<u>116,904,000</u>	<u>103,041,000</u>
Fixed Assets, at cost	98,519,000	84,516,000
Less: Accumulated depreciation and amortization	<u>27,949,000</u>	<u>23,755,000</u>
	70,570,000	60,761,000
Other Assets	2,579,000	3,743,000
	<u>\$190,053,000</u>	<u>\$167,545,000</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:		
Notes payable, banks		\$ 1,500,000
Current installments of long-term debt	\$ 2,442,000	1,813,000
Accounts payable, accrued expenses, etc.	33,972,000	30,072,000
Income taxes.	8,315,000	4,711,000
Total Current Liabilities	<u>44,729,000</u>	<u>38,096,000</u>
Long-Term Debt	<u>20,687,000</u>	<u>22,413,000</u>
Deferred Income Taxes, etc.	<u>4,428,000</u>	<u>3,336,000</u>
Stockholders' Equity:		
4¼% Cumulative Preferred Stock, par value \$100	1,904,000	1,904,000
Common Stock, par value \$1	3,997,000	4,043,000
Capital in Excess of Par Value		1,118,000
Retained Earnings	114,308,000	96,635,000
Total Stockholders' Equity	<u>120,209,000</u>	<u>103,700,000</u>
	<u>\$190,053,000</u>	<u>\$167,545,000</u>

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended	
	January 3, 1976 (53 weeks)	December 28, 1974 (52 weeks)
Net sales	\$489,594,000	\$420,508,000
Cost of goods sold, including occupancy and buying expenses	315,107,000	276,761,000
Store operating and administrative expenses	113,699,000	99,631,000
Depreciation and amortization of fixed assets	7,441,000	6,336,000
Interest expense	1,817,000	2,356,000
Other deductions, net	1,393,000	933,000
	<u>439,457,000</u>	<u>386,017,000</u>
Income before income taxes	50,137,000	34,491,000
Provision for income taxes	26,180,000	17,697,000
Net income (per Common share—\$5.94 and \$4.10, respectively)	<u>\$ 23,957,000</u>	<u>\$ 16,794,000</u>

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Preferred Stock	Common Stock	Capital in Excess of Par Value	Retained Earnings
Balance at beginning of fiscal year 1974	\$2,772,000	\$4,094,000	\$1,769,000	\$85,194,000
Add (Deduct):				
Net income				16,794,000
Preferred Stock purchased—8,681 shares	(868,000)		384,000	
Common Stock purchased—51,108 shares		(51,000)	(1,035,000)	
Cash dividends:				
Preferred Stock—\$4.25 per share				(108,000)
Common Stock—\$1.29 per share				(5,245,000)
Balance at beginning of fiscal year 1975	<u>1,904,000</u>	<u>4,043,000</u>	<u>1,118,000</u>	<u>96,635,000</u>
Add (Deduct):				
Net income				23,957,000
Stock options exercised		1,000	36,000	
Common Stock purchased—47,012 shares		(47,000)	(1,154,000)	(265,000)
Cash dividends:				
Preferred Stock—\$4.25 per share				(81,000)
Common Stock—\$1.48 per share				(5,938,000)
Balance at end of fiscal year 1975	<u>\$1,904,000</u>	<u>\$3,997,000</u>	<u>— 0 —</u>	<u>\$114,308,000</u>

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

	Year Ended	
	January 3, 1976 (53 weeks)	December 28, 1974 (52 weeks)
Additions to Working Capital:		
Net income	\$23,957,000	\$16,794,000
Add charges to operations not requiring an outlay of current funds:		
Depreciation and amortization of fixed assets	7,441,000	6,336,000
Provision for stock bonus plan expense	1,282,000	
Other	801,000	797,000
Working Capital provided from operations	33,481,000	23,927,000
Proceeds from sale of properties leased back		17,700,000
Sundry, net	926,000	40,000
	<u>34,407,000</u>	<u>41,667,000</u>
Reductions in Working Capital:		
Expenditures for fixed assets	17,250,000	13,833,000
Purchase of Treasury Stock	1,466,000	1,570,000
Reductions in long-term debt	2,442,000	2,268,000
Dividends paid	6,019,000	5,353,000
	<u>27,177,000</u>	<u>23,024,000</u>
Increase in Working Capital	7,230,000	18,643,000
Working Capital at beginning of year	64,945,000	46,302,000
Working Capital at end of year	<u>\$72,175,000</u>	<u>\$64,945,000</u>

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Consolidation—The financial statements include the accounts of all subsidiaries; intercompany accounts and transactions have been eliminated.

Certificates of deposit and short-term investments are stated at the lower of cost or market.

Inventories—A portion of the inventories is stated at the lower of cost, principally average cost, or market, based principally on anticipated realizable values. The other portion is based on the retail method.

Depreciation—Depreciation and amortization are computed principally on a straight-line basis.

Income Taxes—Investment tax credits of approximately \$800,000 (1975) and \$380,000 (1974) have been applied as reductions of the provisions for Federal income taxes. Deferred income taxes at the balance sheet dates of \$2,091,000 (1975) and \$1,853,000 (1974) generally arise as a result of the timing difference of depreciation, amortization and stock bonus expense reported for financial statement and income tax purposes.

Computation of Income Per Share—Net income per Common share is based on the weighted average number of shares outstanding during the year. Shares issuable under the stock option and stock bonus plans would have no material dilutive effect on earnings per share.

FIXED ASSETS—The major classifications of fixed assets are as follows:

	Estimated life in years	Cost	
		January 3, 1976	December 28, 1974
Land		\$ 9,406,000	\$ 8,626,000
Buildings	25	13,663,000	11,340,000
Leaseholds and leasehold improvements . .	10-15	42,333,000	36,830,000
Fixtures and equipment	5-10	33,117,000	27,720,000
Total Cost		<u>\$98,519,000</u>	<u>\$84,516,000</u>

LONG-TERM DEBT—

	Maturity	January 3, 1976		December 28, 1974	
		Installments Due in 1976	Subsequent Maturities	Installments Due in 1975	Subsequent Maturities
Promissory Notes:					
5.25%	1979	\$ 350,000	\$ 1,100,000	\$ 350,000	\$ 1,450,000
5.375%	1982	250,000	1,750,000	250,000	2,000,000
4.9%	1983	313,000	2,187,000	313,000	2,500,000
4.9%	1984	250,000	2,100,000	250,000	2,350,000
8.625%	1991	608,000	12,892,000		13,500,000
Other	Various	671,000	658,000	650,000	613,000
		<u>\$2,442,000</u>	<u>\$20,687,000</u>	<u>\$1,813,000</u>	<u>\$22,413,000</u>

COMMON STOCK—

	Shares	
	January 3, 1976	December 28, 1974
Issued (5,000,000 authorized)	4,361,239	4,359,789
Less: Held in treasury	363,780	316,768
Outstanding	<u>3,997,459</u>	<u>4,043,021</u>

The Company has a Qualified Stock Option Plan for the sale of Common Stock of the Company to executives, including store managers. In February, 1975, options under the Qualified Stock Option Plan were terminated and new options granted. Changes in the status of the options are summarized as follows:

	Number of Shares	
	January 3, 1976	December 28, 1974
Under option, beginning of year	60,248	82,520
Options granted	54,828	2,000
Options expired		(24,272)
Options cancelled	(58,798)	
Options exercised (\$26.25 per share)	(1,350)	
(\$22.00 per share)	(100)	
Under option, end of year	<u>54,828</u>	<u>60,248</u>
Available for option at end of year	<u>50,691</u>	<u>46,721</u>
Exercisable at end of year	<u>— 0 —</u>	<u>44,923</u>

The per share option price of the 54,828 shares under option at January 3, 1976 was \$22.50.

In February, 1975, the Board of Directors discontinued the 1972 Stock Bonus Plan and created the 1975 Stock Bonus Plan under which 250,000 shares of Common Stock may be issued to executives, including store managers. The stock is distributable in installments from two to six years after grant, based on the excess of market value at time of distribution over the base price (which may not be less than 75% of market value at date of grant). Based on the quoted market value of the Common Stock at January 3, 1976, approximately 89,000 shares are issuable under the 1975 plan. Substantially all shares are issuable at a base price of \$19.00 which was 84% of market value at date of grant.

PREFERRED STOCK—The 4¼% Cumulative Preferred Stock, which is redeemable at \$104 plus accrued dividends upon call or voluntary liquidation and at \$100 plus accrued dividends upon involuntary liquidation, is summarized as follows:

	Shares	
	January 3, 1976	December 28, 1974
Authorized and originally issued	65,000	65,000
Less: Sinking fund redemptions	35,100	33,800
Held in treasury	10,862	12,162
	45,962	45,962
Outstanding	19,038	19,038

The Company has fulfilled sinking fund requirements for the annual redemption and cancellation of 1,300 shares through January 3, 1976.

LEASES—Operations of the companies are, for the most part, conducted in leased premises. A majority of leases provide for percentage rentals based upon sales, and other items, as additional rent. Net rental expense for approximately 1,200 (1975) and 1,150 (1974) leases and subleases is as follows:

	Noncapitalized financing leases*		Other leases		Total	
	1975	1974	1975	1974	1975	1974
Minimum	\$4,127,000	\$3,931,000	\$19,987,000	\$17,148,000	\$24,114,000	\$21,079,000
Based upon sales	19,000	23,000	5,180,000	5,044,000	5,199,000	5,067,000
Other	1,046,000	795,000	3,428,000	2,850,000	4,474,000	3,645,000
Less: Sublease income	(168,000)	(136,000)	(714,000)	(739,000)	(882,000)	(875,000)
	<u>\$5,024,000</u>	<u>\$4,613,000</u>	<u>\$27,881,000</u>	<u>\$24,303,000</u>	<u>\$32,905,000</u>	<u>\$28,916,000</u>

Approximate minimum rental commitments under all noncancelable real estate leases at January 3, 1976 for the periods shown below are as follows:

	Noncapitalized financing leases*			Other leases			Total
	Commitment	Sublease income	Subtotal	Commitment	Sublease income	Subtotal	
1976	\$ 4,040,000	\$138,000	\$ 3,902,000	\$20,867,000	\$624,000	\$20,243,000	\$24,145,000
1977	4,043,000	138,000	3,905,000	20,014,000	537,000	19,477,000	23,382,000
1978	3,929,000	138,000	3,791,000	19,194,000	423,000	18,771,000	22,562,000
1979	3,816,000	138,000	3,678,000	18,447,000	328,000	18,119,000	21,797,000
1980	3,821,000	138,000	3,683,000	17,429,000	270,000	17,159,000	20,842,000
1981-1985	19,046,000	415,000	18,631,000	69,370,000	930,000	68,440,000	87,071,000
1986-1990	18,639,000	300,000	18,339,000	43,752,000	520,000	43,232,000	61,571,000
1991-1995	16,082,000	255,000	15,827,000	12,038,000	366,000	11,672,000	27,499,000
Beyond 1995 . . .	18,650,000	71,000	18,579,000	466,000	4,000	462,000	19,041,000

*As defined by the Securities and Exchange Commission.

Approximate present values at the balance sheet dates for all noncapitalized real estate financing leases are \$42,631,000 (1975) and \$43,543,000 (1974). The range of interest rates is 2.5—8.5% and the weighted average interest rate is 7.2% in 1975 and 1974. If the companies had capitalized noncapitalized financing leases the impact upon net income would not have been material.

During 1974, properties were sold and leased back under long-term leases. The proceeds aggregated \$17,700,000 and no gains or losses were recognized on the transactions.

RETAINED EARNINGS—The terms of the instruments relating to long-term loans and the Preferred Stock contain certain restrictions including limitations on the payment of dividends (other than stock dividends) and the acquisition of capital stock of the Company. Retained Earnings of \$42,175,000 as at January 3, 1976, are free of such limitations.

Retained Earnings at the beginning and end of 1974 include \$802,000 previously reported as Earnings Reserved for Limited Uninsured Risks.

PENSION COSTS—The companies have a pension plan covering employees who have met eligibility requirements. Pension expense was \$2,005,000 in 1975 and \$1,723,000 in 1974 including amortization of unfunded past service cost over 40 years. It is the Company's policy to fund pension cost accrued. Based on the most recent report by the Company's consulting actuaries, which is as of January 1, 1975, the value of the pension trust assets at January 3, 1976 approximates the present value of vested benefits. Compliance with the Pension Reform Act of 1974 is not expected to result in a significant change to the plan.

CHANGES IN WORKING CAPITAL BY ELEMENT—

	Year Ended	
	January 3, 1976 (53 weeks)	December 28, 1974 (52 weeks)
Increase (decrease) in current assets:		
Cash, certificates of deposit and short-term investments	\$12,892,000	\$ 6,307,000
Merchandise inventories	1,860,000	5,575,000
Other current assets	(889,000)	(545,000)
	<u>13,863,000</u>	<u>11,337,000</u>
Increase (decrease) in current liabilities:		
Notes payable, banks	(1,500,000)	(11,750,000)
Accounts payable, accrued expenses, etc.	3,900,000	1,428,000
Income taxes	3,604,000	2,602,000
Current installments of long-term debt.	629,000	414,000
	<u>6,633,000</u>	<u>(7,306,000)</u>
Increase in Working Capital	<u>\$ 7,230,000</u>	<u>\$18,643,000</u>

CONTINGENT LIABILITY—A shoe design patent suit for \$25,000,000 was filed against the Company. The Company and its counsel are of the opinion that the suit is without merit. In addition, the Company has indemnification agreements from third parties.

ACCOUNTANTS' REPORT

To the Board of Directors
Edison Brothers Stores, Inc.
St. Louis, Missouri

We have examined the consolidated balance sheets of Edison Brothers Stores, Inc. and subsidiary companies as at January 3, 1976 and December 28, 1974, and the related consolidated statements of income, stockholders' equity and changes in financial position for the years (53 and 52 weeks, respectively) then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the above-mentioned financial statements present fairly the consolidated financial position of Edison Brothers Stores, Inc. and subsidiary companies at January 3, 1976 and December 28, 1974, and the consolidated results of their operations and consolidated changes in their financial position for the years (53 and 52 weeks, respectively) then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

S. D. Leidesdorf & Co.

St. Louis, Missouri
February 26, 1976

EBS COMMON SHARES QUARTERLY PRICES AND DIVIDENDS

		1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
		High	Low	High	Low	High	Low	High	Low
1974	Prices . . .	\$25.00	\$21.50	\$23.00	\$21.37	\$21.87	\$17.50	\$20.37	\$16.75
	Dividends .	\$.30		\$.33		\$.33		\$.33	
1975	Prices . . .	31.75	16.75	40.13	30.88	41.88	32.25	52.50	35.50
	Dividends .	.37		.37		.37		.37	

Edison Brothers Stores, Inc. Common Shares are listed on the New York Stock Exchange.

Transfer Agent: Bankers Trust Company, New York, N.Y. 10017

Registrar: The Chase Manhattan Bank, New York, N.Y. 10015

STATISTICAL SUMMARY

1975/1965
10 YEAR
COMPARISON

	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965
Units end of each year	1,145	1,079	1,006	922	870	766	692	667	606	565	533
Net sales	\$489,594,000	\$420,508,000	\$372,402,000	\$333,070,000	\$290,870,000	\$255,955,000	\$244,696,000	\$240,300,000	\$213,770,000	\$181,633,000	\$167,125,000
Cost of goods sold, including occupancy and buying expenses	315,107,000	276,761,000	245,489,000	221,470,000	194,366,000	168,084,000	159,027,000	155,538,000	139,994,000	121,057,000	111,954,000
Taxes other than Federal income taxes	12,985,000	9,903,000	9,219,000	7,305,000	5,784,000	4,968,000	4,881,000	4,196,000	3,405,000	2,834,000	2,326,000
Interest expense	1,817,000	2,356,000	3,046,000	2,087,000	1,455,000	1,142,000	1,142,000	1,017,000	991,000	1,058,000	1,082,000
Other expenses	114,044,000	99,544,000	89,359,000	80,860,000	72,389,000	67,677,000	62,970,000	59,274,000	51,522,000	44,145,000	40,961,000
Federal income taxes	21,684,000	15,150,000	11,508,000	9,220,000	6,700,000	5,464,000	7,430,000	8,996,000	7,373,000	4,812,000	4,116,000
Net income	23,957,000	16,794,000	13,781,000	12,128,000	10,156,000	8,620,000	9,246,000	11,279,000	10,485,000	7,727,000	6,686,000
Preferred stock dividends paid	81,000	108,000	118,000	119,000	119,000	121,000	124,000	127,000	132,000	151,000	168,000
Net income applicable to common stock	23,876,000	16,686,000	13,663,000	12,009,000	10,037,000	8,499,000	9,122,000	11,152,000	10,353,000	7,576,000	6,518,000
Common stock dividends paid	5,938,000	5,245,000	4,709,000	4,355,000	4,174,000	4,189,000	4,238,000	3,533,000	2,897,000	2,588,000	2,277,000
Working capital	72,175,000	64,945,000	46,302,000	49,164,000	53,325,000	45,383,000	54,546,000	59,485,000	62,475,000	57,784,000	55,272,000
Long-term debt	20,687,000	22,413,000	24,681,000	26,230,000	25,501,000	13,998,000	15,317,000	16,515,000	18,107,000	18,868,000	20,205,000
Common stock equity	118,305,000	101,796,000	91,015,000	84,925,000	77,144,000	70,687,000	68,336,000	64,637,000	57,786,000	50,014,000	45,102,000
Common shares outstanding at year end	3,997,000	4,043,000	4,094,000	4,190,000	4,186,000	4,155,000	4,232,000	4,254,000	4,255,000	4,240,000	4,251,000
Weighted average common shares outstanding	4,017,000	4,071,000	4,138,000	4,188,000	4,175,000	4,185,000	4,236,000	4,254,000	4,255,000	4,240,000	4,247,000
Total taxes per common share	\$ 8.63	\$ 6.15	\$ 5.01	\$ 3.95	\$ 2.99	\$ 2.49	\$ 2.91	\$ 3.10	\$ 2.53	\$ 1.80	\$ 1.52
Net income per common share	5.94	4.10	3.30	2.87	2.40	2.03	2.15	2.62	2.43	1.79	1.53
Dividends per common share	1.48	1.29	1.14	1.04	1.00	1.00	1.00	.85	.70	.63	.55
Common stock equity, per share	29.60	25.18	22.23	20.27	18.43	17.01	16.15	15.19	13.58	11.80	10.61

The number of common shares outstanding and net income per common share have been adjusted to reflect the stock split of 2-for-1 in 1968.

Net income per common share is based on the weighted average number of shares outstanding during the year.

For management's discussion and analysis of the above for 1975 and 1974 and other related information, please refer to the sections of this report entitled "To Our Stockholders" and "The Year in Review."

Additional Officers

EDISON BROTHERS STORES, INC.

JERALD M. ALTON
Assistant Secretary

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Size 5-7-9 Shops

JACK GOLDSWORTH, Vice President
Size 5-7-9 Shops

HERBERT A. HAIMSOHN, Vice President
The Handyman

WALTER H. HEINECKE, Vice President
Real Estate

RONALD S. HIRSHBERG, Vice President
Corporate Development

ARTHUR J. HOLLENBACH, Asst. Vice President
Traffic Manager

LOUIS G. MELCHIOR, Vice President
Finance

JOSEPH J. METZLER, Vice President
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ROBERT L. MISRACH, Vice President
United Sporting Goods

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Assistant Vice President

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Real Estate

MARTIN SNEIDER, Vice President
Jeans West

HAROLD M. WINTER
Assistant Treasurer

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Corporate Development

**EDISON
BROTHERS
SHOE STORES, INC.**

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Regional Manager, Chicago

DAVID ALTON, Vice President
Distribution Centers

SAM ALTON, Vice President
Merchandise Control

HARRY BARBACH, Asst. Vice President
Buyer, Sweet Steps Shoes

BEN BORUS, Vice President
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RUSSELL S. BRANSTETTER
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JOSEPH FINGERHUT, Vice President
Buyer, Handbags

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Regional Manager, San Francisco

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Buyer, Leased Departments

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Regional Manager, St. Louis

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Leased Department Administration

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General Sales Manager

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Regional Manager, Houston

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STUART LOCHEAD, Vice President
Store Cost Control

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WILLIAM P. MOHR, Asst. Vice President
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Operations and Administration

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Marketing Coordinator

HENRY PASCH, Vice President
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Information Systems

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Display

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JAMES STEWART, Vice President
Buyer, French Room Dress Shoes

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Sales Manager, West Coast Division

WILLIAM WILLER, Asst. Vice President
Distribution Centers

HENRY WINER, Vice President
Buyer, Handbags

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HOME IMPROVEMENT
CENTERS**

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Administration

NORMAN FOX, Vice President
Market Development

JARED M. NICHELSON, Vice President
Sales

HARVEY W. ROSEN, Vice President
Merchandising

SIZE 5-7-9 SHOPS

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J. BROWER DAVIS, Asst. Vice President

MEL FORMAN, Vice President
Finance and Operations

FRANK SCALIA, Vice President
General Sales Manager

JEANS WEST

MARTIN SNEIDER, President

WILLARD FONAROW, Vice President
General Merchandise Manager

NORMAN GOLD, Asst. Vice President

RICHARD HANCOCK, Vice President
Buyer

ROBERT HAZEL, Asst. Vice President
Buyer

HAROLD E. JOHNSON, Vice President
General Sales Manager

UNITED SPORTING GOODS

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RABY FICKLIN, Vice President
General Sales Manager

DALLAS JONES, Vice President
Administration

RONALD A. THOMPSON, Vice President
Buyer

EDISON BROTHERS STORES INC. EXECUTIVE OFFICES: 400 WASHINGTON AVE. MAIL: P.O. BOX 14020, ST. LOUIS, MO. 63178.

